

INTEGRAL DEVELOPMENT PROGRAM FOR INDIGENOUS COMMUNITIES

(CH-0164)

EXECUTIVE SUMMARY

Borrower and guarantor: Republic of Chile

Executing agency: Ministry of Planning and Cooperation (MIDEPLAN)

Amount and source:		PHASE I	PHASE II	TOTAL
	IDB (CO):	US\$34.8	US\$45.2	US\$ 80.0 million
	Local:	<u>US\$23.2</u>	<u>US\$30.2</u>	<u>US\$ 53.4 million</u>
	Total:	US\$58.0	US\$75.4	US\$133.4 million

Terms and conditions:

Amortization period:	25 years
Grace period:	4 years
Disbursement period:	4 years
Interest rate:	variable
Inspection and supervision:	1%
Credit fee:	0.75%
Currency:	U.S. dollars from the Single Currency Facility.

Multiphase Modality: It has been agreed that, because of its innovative and complex nature, the program will take more than one project cycle to complete, and the multiphase modality will therefore be used (paragraph 1.31).

Objectives: The general objective of the program is to improve living conditions and to promote the economic, social, cultural and environmental development and identity of the Aymara, Atacameño and Mapuche peoples in rural areas.

The specific objectives are: (i) to enhance the capacities and opportunities of beneficiaries in the areas of production, education and health; (ii) to strengthen the Indigenous Development Areas (ADIs) and beneficiary indigenous communities in terms of integral development and identity, through participatory management; and (iii) to institutionalize indigenous issues in the various sectors, and give public agencies the capacity to serve indigenous groups in a coordinated, appropriate and culturally relevant manner.

Description: The program takes an integral, intersectoral and participatory approach. It consists of the following five components:

1. Strengthening indigenous communities and public institutions (US\$6.3 million)

Participatory planning workshops, training courses and technical assistance will be provided for *indigenous communities* in such areas as: (i) administration, management, organizational development, planning and monitoring of activities; (ii) the availability of public funding and the preparation of proposals; (iii) dispute settlement; (iv) women's leadership and gender issues; and (v) participation by youth. Training and awareness courses will be offered to ensure that development-oriented interventions are culturally relevant and that the working approach of officials of the agencies involved in the program is modified appropriately. As well, financing will be provided for: (i) improving the technical and organizational capacity of the National Indigenous Development Corporation (CONADI); (ii) supporting the technical management of the CONADI Council; (iii) incorporating the ethnic component into public policies; and (iv) supporting the work of the "Commission for Truth and a New Deal".

2. Development of productive activities (US\$19.7 million)

Financing will be provided under four subcomponents: (i) *development of rural production activities*, through financing for projects designed to improve agricultural yields and diversify sources of family incomes, by promoting nonagricultural activities and improving the management of natural resources; (ii) *support for communities*, in order to improve the quality of investment projects and enhance their access to economic and production support services, as a guarantee of greater effectiveness and sustainability; (iii) *support for project generation and investment promotion in indigenous areas*, for identifying projects and public and private financing; and (iv) *support for state agencies that promote production-oriented activities*, to ensure that they are in a position to follow up on and continue program activities in the area of productive development.

3. Education and culture component (US\$11.7 million)

Under the *culture and arts promotion subcomponent*, funding will be provided for: (i) cultural initiatives originating in indigenous communities, and (ii) the holding of events. The *bilingual intercultural education subcomponent* (EIB) will finance: (i) institutional strengthening of the EIB program of the Ministry of Education (MINEDUC); (ii) socialization and dissemination of EIB

among families, communities and government agencies; (iii) development and monitoring of the participatory EIB-oriented Institutional Education Project (PEI); (iv) curriculum development; (v) upgrading of the teaching profession; (vi) teaching resources; (vii) applied, basic and action research into pedagogical aspects and monitoring of the program; (viii) the learning evaluation system; (ix) promotion and development of local initiatives; (x) educational television; and (xi) an intercultural approach to education for youth and adults.

4. Intercultural health component (US\$ 6.7 million)

This component will finance specific technical assistance, awareness and training activities, meetings and seminars, dissemination and social marketing, and investments in works and equipment under its four subcomponents: (i) *designing reference models for intercultural health care*, based on experience with existing intercultural health initiatives in Chile; (ii) *improving the quality, sensitivity and cultural relevance of health services*, through awareness, information and training activities for officials of the 10 health services; (iii) *strengthening indigenous medicine*, as part of a model of intercultural health care, with funding for meetings among indigenous medicine practitioners, and support for formulating proposals; and (iv) *improving access to intercultural health services*, with financing for projects originating in indigenous communities.

5. Social marketing component (US\$ 1.1 million)

In order to publicize and promote the program, funding will be provided to design and implement an information and communication strategy, which will define the key ideas and types of messages for each of the target audiences, i.e. potential beneficiaries, those involved in the program, and public opinion. Although the strategy will be aimed at various audiences, its central focus will be the universe of current and potential users of the program, and their milieu.

The Bank's country and sector strategy:

The principal objectives of the Bank's strategy in Chile are to enhance competitiveness, reduce social and regional inequalities, and deepen democracy by fostering a more participatory society and a more modern State.

The proposed program squares well with that strategy, which calls specifically for reducing the social exclusion of indigenous populations through participatory methodologies that will involve communities at the design, execution and evaluation stages. As well, it is consistent with the Bank's interest in promoting economic growth with social equity, and hence in intervening to reduce the social exclusion of ethnic groups.

Environmental and social review:

The program is focused on the indigenous population, and will serve directly to promote social equity, thereby benefiting indigenous communities, families, women and youth, providing them with services that are more relevant to their culture and reducing the discrimination they suffer. As well, the program will help to promote gender equity, on the basis of studies that will analyze the specific status of women in participating communities.

The program includes an environmental procedure, attached to the Operating Regulations (OR), which sets out the responsibilities of institutions associated with the program, and provides measures for strengthening their environmental performance: (i) financing environmental education plans in the 600 participating communities; (ii) environmental protection criteria for projects; (iii) plans for management and conservation of natural resources in the Indigenous Development Areas (ADIs); and (iv) environmental targets and indicators for the program (see paragraphs 4.6 to 4.16).

Benefits:

The program will foster social equity and promote economic and social development and the strengthening of indigenous communities, as well as the leadership capacity of women and youth. The program will produce not only material benefits, but will also help to strengthen and develop the culture of participating indigenous communities, and to encourage recognition of the cultural diversity of Chilean society. An important benefit will be the establishment of a coordinated and participatory intervention model that can respond effectively to the demands of indigenous families, while enhancing the effectiveness of public resources. Thanks to the participatory approach begun during the program's design, dialogue between the State and its indigenous communities will be strengthened, and this will constitute an important benefit in itself, since it will deepen trust among the parties and thereby enhance the prospects for success and impact of this and future programs. Finally, the training and awareness activities are expected to reduce instances of racism and discrimination in the country.

Risks:

The success of this program will depend on the willingness of the Chilean government to establish better communications and relations with indigenous peoples, to recognize the specific nature of their culture and their problems, and to ensure the program's continuity over time. Nevertheless, there is the risk that some sectors will not respect the principles of the program, i.e. participation, intersectoral coordination, transparency and information. Individual public officials may still betray attitudes of discrimination with respect to indigenous cultures, and this could affect the degree of participation and trust on the part of the beneficiaries. Measures to mitigate this risk will include

consciousness-raising and training for public officials. In particular, the program has encouraged a high degree of involvement and commitment from the design stage onward.

There is a further risk associated with the intersectoral nature of the program, which means that execution will be complex, involving many different public entities with differing institutional approaches. This risk will be mitigated both by the commitment of the participating entities, as reflected in the agreements that each of them will sign with MIDEPLAN, and by the emphasis on intersectoral coordination efforts within the program committees.

Among the Mapuche population in particular, where social organization is fragmented, there is the risk of failure to achieve effective coordination between the decentralized State apparatus and the traditional form of indigenous social organization, and this could pose problems for program execution. To minimize this risk, the program will provide training and strengthening for indigenous organizations and will stress the creation of an effective institutional structure for the ADIs.

**Special
contractual
conditions:**

The conditions precedent to the first disbursement will include: (i) constitution of the Coordination Committee (CC) and its operating rules, as well as the Executive Secretariat (SE) (paragraphs 3.4 and 3.6); (ii) entry into force of the Program Operating Regulations (paragraph 3.15); and (iii) hiring of personnel for the SE, in accordance with clause 3.02 (c) of the loan contract (see paragraph 3.6). As a condition precedent for beginning the individual execution of each component, an agreement between MINEPLAN and the corresponding agency responsible for its coexecution must be signed (paragraph 3.2).

**Social equity
and poverty-
targeting
classification:**

This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). The operation also qualifies as a poverty-targeted investment (PTI). The borrower has decided not to use the 10 percentage points in additional financing (paragraph 4.1).

**Exceptions to
Bank policy:**

N/A

Procurement:

The procurement of goods and services and the execution of works will be done in accordance with existing Bank procedures, which will be an integral part of the loan contract. In the contracting of consulting services, the procedures set forth in document GN-1679-3 will be followed. International competitive bidding will be compulsory for procurement in amounts exceeding US\$5 million, in the case of works contracts; US\$350,000 in the case of procurement contracts for goods;

and US\$200,000 in the case of consulting contracts. Works or procurement contracts for amounts less than these figures will be governed by national legislation.